Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of	)	
	)	
2000 Biennial Regulatory Review	)	
Separate Affiliate Requirements of Section	)	CC Docket No. 00-175
64.1903 of the Commission's Rules	)	

Comments of the ICORE Companies

The consulting firm of ICORE, Inc. (ICORE), on behalf of its many small, rural incumbent local exchange carrier (ILEC) clients,[1] offers these brief comments in the above-captioned proceeding. ICORE provides a variety of consulting, regulatory and network-related services to many of the nation's smallest, most rural ILECs.

I. INTRODUCTION

The small, rural ILECs represented by ICORE serve the tiniest fractions of total U.S. access lines. By any measure -- lines, assets, revenues, personnel, areas served, or national branding -- they pale by comparison against the Verizons, SBCs, AT&Ts, and MCIs of the world.

[1] ILECs participating in this filing include: Baraga Telephone Company, Baraga, MI; Citizens Telephone Company of Kecksburg, Mammoth, PA; Doylestown Telephone Company, Doylestown, OH; Dunbarton Telephone Company, Inc., Dunbarton, NH; Farmers Mutual Telephone Company, Bellingham, MN; Fishers Island Telephone Company, Fishers Island, NY; Hot Springs Telephone Company, Kalispell, MT; McClure Telephone Company, McClure, OH; Pattersonville Telephone Company-OH, Carrollton, OH; Pennsylvania Telephone Company, Jersey Shore, PA; Ronan Telephone Company, Ronan, MT; Summit Telephone Company, Fairbanks, AK; Sycamore Telephone Company, Sycamore, OH; Wilton Telephone Company-NH, Wilton, NH. They range in access line size from about 157 to about 5,779, with the average being about 2,349.

Yet they often get swept up in the same regulatory tide as the RBOCs and the huge Independent ILEC holding companies. Such is the case with the separate affiliate requirement of Section 64.1903 of the Commission's Rules. While not as restrictive as the rules governing RBOC long distance (LD) entry, the separate affiliate requirement is nonetheless a burdensome and unnecessary rule, born of some unfounded fear that tiny ILECs somehow wield the necessary power -- and have the motive, means and opportunity -- to engage in anti-competitive behavior.

II. THE SEPARATE AFFILIATE RULE IS UNNECESSARY

No small, rural ILEC, individually, serves anywhere near 2% of the nation's access lines. FCC data show that the 60 largest ILECs serve 98.01% of total ILEC loops (used here as a surrogate for access lines), and that "All Other Companies" (ILECs) serve just 1.99%. (See Table 8.3, Telephone Loops of Incumbent Local Exchange Carriers by Holding, As of December 31, 1999, from Trends in Telephone Service, Industry Analysis Division, Common Carrier Bureau, August 2001, Attached.)

The two largest ILECs, Verizon and SBC, account for a whopping 65.52% of all loops, all by themselves. The top five companies provide fully 92.31% of the nation's loops. The next 55 -- while very small in comparison to Verizon and SBC -- bring the total to just over 98%, as referenced above. All other small, rural ILECs, combined, serve less than 2% of the nation's loops.

A typical ICORE client ILEC with 500 access lines would serve about .000027% of the nation's 186,260,652 lines (See Table 8.1, Total U.S. Telephone Lines, also from

Trends in Telephone Service, Attached.) A larger client, with 3,000 lines, would still serve a minuscule .00016% of the country's total lines.

These ILECs are in no way dominant in any market, except perhaps for local telephone service -- and local service only -- in the very small exchanges in which they operate. They have limited physical, financial and personnel resources, no real economies of scale or scope, and absolutely no ability to limit or control LD market entry or pricing.

On the other hand, they compete in LD against gigantic national and multi-national corporations, with billions of dollars in assets, millions in advertising budgets, and resources which dwarf those of many third world countries.

Super ILECs like Verizon, SBC and Bell South, with millions of access lines and dominance over entire states and regions, may have the resources to engage in anti-competitive behavior vis-à-vis the mega IXCs. Small, rural ILECs, with a few thousand access lines and a handful of exchanges, have no such power.

No harm can be done by eliminating the separate affiliate requirement for rural ILECs. They have virtually no advantages over the huge corporations against which they compete in the LD arena, except their reputation for quality service, good customer relations, and fair pricing. These are not unfair anti-competitive advantages necessitating the creation of a separate affiliate for LD service. Instead, these are advantages won by years of honesty, integrity and dedication to their customers.

III. ACCOUNTING SEPARATION WILL PREVENT ANY POSSIBLE ANTI-COMPETITIVE BEHAVIOR

If the Commission is concerned with potential anti-competitive behavior by small, rural ILECs offering facilities-based LD services, it should consider the same accounting separation it has prescribed for small ILECs engaged in LD resale. That is, the facilities-based LD providers should be required only to offer such services through a separate corporate division.

Small, rural ILECs -- regardless of the manner in which they offer LD service -- are subject to rate-of-return regulation in the interstate jurisdiction. Whether they settle their access costs through NECA on an average schedule or cost basis, or whether they participate in the NECA TS pool or file their own TS tariffs, they are subject to both NECA and USAC reporting requirements.

Cost companies have their underlying data scrutinized by NECA, to prevent such things as interexchange costs being included with access costs. Average schedule companies report data which drive the average schedule formulas, which in turn compensate them for their access costs only. Both average schedule and cost companies report data to NECA for tariff and average schedule formula development, data which is again thoroughly reviewed to assure that interexchange costs are separate from access costs.

In most instances, small, rural ILECs are required to provide detailed financial, operational and service reports to their state regulatory commissions. State regulators, too, have public interest obligations, and therefore want to prevent cost misallocations and the cross-subsidization of one set of services by another.

Small, rural ILECs are still heavily regulated. With their data being continually reviewed by NECA, USAC and their state commissions, some form of accounting separation -- such as the provision of facilities-based LD through a separate division -- should serve very effectively to prevent anti-competitive behavior.

In fact, because these ILECs are so intensely regulated, they are far less likely to engage in anti-competitive practices than their competitors are to involve themselves in price fixing, de facto rate deaveraging, slamming, gouging and other illegal or unethical actions.

IV. CONCLUSION

Small ILECs wield nowhere near the market dominance of the large, multi-state, multi-million access line companies such as Verizon. It is hard enough for them to compete with -- let alone engage in anti-competitive behavior against -- the giant IXCs. They certainly do not need the added regulatory and economic burdens of having to establish separate affiliates to attempt to compete in the facilities-based LD arena.

Any ILEC serving less than 2% of the nation's total access line, and in particular those serving a minuscule fraction of that 2%, should be exempt from the separate affiliate rule. Given that small ILECs are already heavily regulated, the same accounting separation that applies to resale type ILEC LD operations should also be granted to facilities-based providers.

Respectfully submitted,
ICORE, Inc.

Jan F. Reimers
President
326 S. 2nd Street
Emmaus, PA 18049
610-928-3944